

Debt help guide - from the Consumer Credit Counselling Service (CCCS)

If you are struggling with your finances or you're finding it difficult to meet your monthly credit card and loan repayments, don't panic – [debt help](#) is available.

The first thing you need to do is accept you have a problem and address it as soon as possible. There is no need to punish yourself and there's nothing to be ashamed of – many people have financial problems like yours. However, your problem won't go away by itself and the longer you take to act, the worse it will get.

There **will** be a solution to your problem. The best way to find it is to get free and impartial debt advice from a debt help charity such as the Consumer Credit Counselling Service (CCCS).

DEBT ADVICE

Good information can help prevent you from getting into debt problems in the first place. A debt counsellor can help you understand your rights and responsibilities and enable you to manage your finances and plan for the future.

Some financial problems can be resolved by:

Budgeting and economising

By working out your monthly income and expenditure, you'll be able to see exactly where your spending can be trimmed. Budgeting will help you to cut out any unnecessary expenditure and highlight your spending on non-essentials.

Increasing your income

If money is short, can you work overtime or find a second job? If you own your property, could you take in a lodger? Also, make sure you are claiming all the state benefits and tax allowances that you are eligible for.

Switching providers

You can often get a better deal on your utilities or insurances by consulting Internet comparison websites. Make sure that you do your research properly and read the small print before committing to anything.

DEBT SOLUTIONS

If your financial problems are more serious, you will need to take a more structured course of action.

If you are having problems covering your essential living expenses or meeting your debt repayments, we highly recommend that you seek professional debt help. In the meantime:

- Stop using your credit cards immediately
- Don't take out any more loans
- Don't increase your overdraft
- Don't consolidate your debts into one loan
- Don't secure any of your debts against your home

There are various debt solutions available, including:

- Debt management plans (DMPs)
- Individual voluntary arrangements (IVAs)
- Bankruptcy
- Debt relief orders (DROs)

Debt management plans

Debt management plans (DMPs) are usually arranged by a third party, such as a debt charity like CCCS. This third party negotiates with your creditors and manages your payments of reduced monthly amounts towards your debts.

The DMPs arranged by debt help charities like CCCS are completely free of charge. But beware – many profit-making debt management companies will take their own fees from your monthly payments. This means you end up paying a smaller amount back to your creditors and your debts take longer to pay off.

Individual voluntary arrangement

Individual voluntary arrangements (IVAs) are available to people with unsecured debts of £15,000 or more. The IVA is an alternative to bankruptcy and is managed by an Insolvency Practitioner.

An IVA normally lasts for five years, during which time you will pay any available income as a monthly amount towards your debts. For the IVA to go ahead, your Insolvency Practitioner must secure the agreement of creditors representing at least 75% of your total debt.

Bankruptcy

If you are unable to pay your debts off within a reasonable time, you may be eligible for bankruptcy. Your unsecured debts (credit cards, loans, catalogue bills) must outweigh your assets, including any property and vehicles you own. If you go bankrupt, your creditors will write off these unsecured debts.

However, it is absolutely essential that you get expert advice before making such a decision as there are many negative implications to bankruptcy and you might have to give up your assets.

Debt relief orders

A debt relief order (DRO) is a legal process available to those who don't own their own home and have assets worth no more than £300. You must have total debts of less than £15,000 and have no more than £50 left over every month after paying your household bills and living costs to qualify for a DRO.

The DRO will freeze your debts for a year, during which time your creditors cannot pursue you for payments or add interest and charges to your debts. At the end of the 12-month period, if your situation is still the same, all your debts will be written off.

GET DEBT COUNSELLING

It's really important that you seek debt help as soon as possible so that you can regain control of your finances and save yourself extra stress and anxiety.

If you need debt advice, make sure that you **never** pay for it. There is no need to pay any fees for debt advice, when there are debt help charities offering impartial, trustworthy advice at absolutely no cost to you.

CCCS is the UK's leading debt help charity. We have over 15 years' experience of giving free, impartial and confidential debt advice to those in financial difficulty.

Our advisors offer one-to-one support, completely free of charge. We also have an [online counselling service](#), which gives instant access to free debt advice 24 hours a day. For more information, visit www.cccs.co.uk or go to [CCCS Debt Remedy](#) for immediate, confidential debt advice.